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Arizona Corporation Commission
BEFORE THE ARIZONA CORPORATION COMMISSION
DOCKETED

APR 14 2000

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF C3
COMMUNICATIONS, INC. FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE COMPETITIVE
RETAIL ELECTRIC SERVICES AS AN
ELECTRIC SERVICE PROVIDER PURSUANT
TO A.A.C. R14-2-1601 *ET SEQ.*

DOCKET NO. E-03791A-99-0588

DECISION NO. 62444**OPINION AND ORDER**

DATE OF HEARING: March 15, 2000

PLACE OF HEARING: Phoenix, Arizona

PRESIDING OFFICER: Stephen Gibelli

APPEARANCES: Kevin McSpadden, MILBANK, TWEED, HADLEY, AND MCCLOY,
on behalf of C3 Communications, Inc.;

Todd Wiley, GALLAGHER AND KENNEDY, on behalf of Arizona
Electric Power Cooperative, Graham County Electric Cooperative, and
Duncan Valley Electric Cooperative; Trico Electric Power Cooperative,
Inc. (for Russell Jones); Sulphur Springs Valley Electric Cooperative,
Inc. (for Christopher Hitchcock);

Janet F. Wagner, Staff Attorney, Legal Division, on behalf of the
Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

On October 19, 1999, C3 Communications, Inc. ("C3" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application requesting a Certificate of Convenience and Necessity ("CC&N" or "Certificate") as an Electric Service Provider ("ESP") to provide competitive retail electric services as a Meter Reader Service Provider ("MRSP") in all areas in the State of Arizona which the Commission has designated as open to retail electric competition.

On December 16, 1999, C3 filed amendments to its application.

On January 19, 2000, the Commission's Utilities Division Staff ("Staff") filed its Staff Report

1 in this matter.

2 By Procedural Order dated February 3, 2000, all the Affected Utilities as defined by the
3 Electric Competition Rules were joined as parties in this matter with the opportunity to respond to C3
4 Communications, Inc.'s Application, and were given notice that if the Application is granted, the
5 Certificates of Convenience and Necessity ("Certificates" or "CC&Ns") of the Affected Utilities
6 would have to be rescinded, altered, or amended pursuant to A.R.S. § 40-252. On January 19, 2000,
7 C3 filed a Certificate of Service confirming its service of the application on the Affected Utilities in
8 accordance with Rule 14-2-1603(e). Those parties so joined and noticed include Tucson Electric
9 Power Company, Arizona Public Service Company, Citizens Utilities Company, Arizona Electric
10 Power Cooperative, Trico Electric Cooperative, Duncan Valley Electric Cooperative, Graham County
11 Electric Cooperative, Mohave Electric Cooperative, Sulphur Springs Valley Electric Cooperative,
12 Navopache Electric Cooperative, Ajo Improvement Company, and Morenci Water and Electric
13 Company, and are referred to collectively herein as "Affected Utilities." The same Procedural Order
14 scheduled the matter for hearing on March 15, 2000.

15 On March 10, 2000, Avistar, Inc. ("Avistar") filed an application for Leave to Intervene.

16 This matter came before a duly authorized Hearing Officer of the Commission at the
17 Commission's offices in Phoenix, Arizona on March 15, 2000. At that time, Avistar was granted
18 intervention. Applicant and Staff presented evidence at the hearing. At the conclusion of the
19 hearing, the matter was taken under advisement pending submission of a Recommended Opinion and
20 Order to the Commission.

21 * * * * *

22 Having considered the entire record herein and being fully advised in the premises, the
23 Commission finds, concludes, and orders that:

24 FINDINGS OF FACT

25 1. On October 19, 1999, C3 Communications, Inc. filed its application requesting
26 certification as an ESP with authority to provide competitive retail electric service as an MRSP in all
27 areas of the State of Arizona which the Commission has designated as open to retail elec.
28 competition.

1 2. C3 is a Delaware corporation, a wholly owned subsidiary of Central and South West
2 Corporation ("CSW").

3 3. On January 19, 2000, Staff filed its Staff Report in this matter, recommending that C3
4 be granted a CC&N as an ESP with authority to provide competitive retail MRSP services statewide,
5 with the exception of those areas designated as closed to competition until the Commission has
6 determined otherwise.

7 4. On January 19, 2000, C3 filed a Certificate of Service confirming its service of the
8 application on the Affected Utilities in accordance with A.A.C. R14-2-1603(e).

9 5. By Procedural Order dated February 3, 2000, the Affected Utilities were joined as
10 parties in this matter with the opportunity to respond to the Application, and were given notice that if
11 the Application is granted, the CC&Ns of the Affected Utilities will be rescinded, altered, or
12 amended pursuant to A.R.S. § 40-252.

13 6. Avistar requested and was granted intervention prior to the hearing.

14 7. C3 caused notice of the hearing in this matter to be published in the Arizona Republic
15 on February 23, 2000, and filed Affidavits on March 23, 2000 confirming publication.

16 8. On March 15, 2000, a public hearing was held as scheduled, at which Mr.
17 Christopher J. Greenwell for the Applicant and Mr. Kevin Mosier for Staff, presented evidence.
18 Arizona Electric Power Cooperative, Graham County Electric Cooperative, Duncan Valley Electric
19 Cooperative, Trico Electric Cooperative, and Sulphur Springs Valley Electric Cooperative did not
20 present evidence, but did cross-examine witnesses.

21 9. C3 is a registered Meter Data Management Agent in California. The term Meter Data
22 Management Agent ("MDMA") in California is synonymous with the term MRSP in Arizona.

23 10. As a California MDMA, C3 has demonstrated technical capabilities to calculate
24 power usage from meter reads; to validate, estimate and edit that usage; to post the usage in the
25 approved format to a server; and to provide access to that server to authorized participants for
26 retrieval of the data.

27 11. CSW has submitted a SEC Form 10-Q for the quarter ended June 30, 1999, and its
28 1997 and 1998 Financial Reports as proof of its ability to support C3. The submitted financial

1 information lists assets of \$13.9 billion, shareholders equity of \$7.8 billion, and retained earnings
2 \$1.8 billion as of June 30, 1999. CSW has also listed a net income of \$440 million on revenues of
3 \$3.5 billion for the year ended December 31, 1998, up from \$153 million on revenues of \$3.3 billion
4 for the year ended December 31, 1997.

5 12. The Staff Report indicates that C3 has sufficient financial resources available to meet
6 its capitalization requirements or incur operating losses. However, Staff recommends that C3 clarify
7 the extent of the financial commitment it has received from CSW.

8 13. The Staff Report, as amended at the March 15, 2000 hearing in response to the
9 Company's testimony, recommends approval of the Application subject to the following conditions:

- 10
- 11 (a) That C3 shall apply to the Commission for approval prior to provision of any other
12 competitive service not approved at this time;
- 13 (b) That C3 shall comply with the additional rule provisions pertaining to MRSPs in
14 A.A.C. R14-2-1612(K) and all other Commission rules applicable to meter
15 servicing, prior to provision of any competitive service;
- 16 (c) That C3 shall acquire initial insurance coverage or a surety bond in the amount of
17 \$25,000 in order to protect its customers from fraud and nonperformance, prior to
18 the provision of any competitive service. This amount may be adjusted in the
19 future on the basis of semi-annual reports C3 will file with the Director of the
20 Utilities Division as required in the Arizona Administrative Code, Title 14,
21 Chapter 2, Articles 16 and 13. In the alternative, C3 shall provide proof that it has
22 been found credit worthy by the Utility Distribution Company ("UDC") under the
23 credit terms imposed by the UDC;
- 24 (d) That C3 be required to file its tariffs within 30 days of an Order in this matter, and
25 in accordance with the Decision;
- 26 (e) That C3 shall not be authorized to provide competitive service in the certificated
27 area of an Affected Utility until the Commission has reached a final resolution in
28 that Affected Utility's respective stranded cost filing;
- (f) That prior to the provision of any competitive service, C3 must provide the
Director of the Utilities Division evidence that it has obtained UDC approval to
operate in its service territory. This operational approval must be obtained for
each UDC service territory that C3 intends to provide service;
- (g) That C3 shall acquire all relevant tax licenses from lawful taxing authorities with
the State of Arizona prior to providing service;

(h) That C3 shall, prior to providing any billing and collection service in the service areas regulated by the Commission, file a tariff setting forth a maximum price for billing and collection service;

(i) That prior to providing service, an MRSP shall submit to the Director of the Utilities Division a copy of an authorization letter from the UDC to the MRSP. This authorization letter shall include the following statements:

1. The MRSP has successfully passed a server testing and data validating, editing and estimation test.
2. The MRSP can only perform its services in the UDC service territory on behalf of a load serving ESP that has executed an ESP service acquisition agreement with the UDC.
3. The MRSP is authorized by the UDC to provide service in its territory under the terms of the UDC's service acquisition agreement with the load serving ESP.
4. The authorization is subject to the MRSP's continued performance under the terms of the applicable rules and regulations, and is in accordance with the terms and conditions set forth in the ESP's approved tariffs.
5. It is the obligation of the MRSP to notify the load serving ESP and the UDC of material changes to its capability or technology so that the load serving ESP and UDC may determine whether additional testing by the UDC is necessary. These material changes include technological enhancements to system hardware or software.

14. Staff's recommendations in Findings of Fact No. 13 above are reasonable and necessary.

15. C3 possesses the requisite technical and financial capability to provide competitive MRSP services within the State of Arizona.

CONCLUSIONS OF LAW

1. C3 is a public service corporation within the meaning of Article XV of the Arizona Constitution.

2. The Commission has jurisdiction over C3 and the subject matter of the Application.

3. Notice of the hearing was given in accordance with law.

4. The Arizona Legislature and the Commission have made it clear that competition is the public policy of Arizona.

5. C3 should receive a CC&N as an ESP authorized to provide MRSP services.

6. C3's CC&N should be subject to the conditions recommended by Staff in Findings of Fact No. 13.

7. Rates and terms and conditions of service adopted herein are fair, reasonable, consistent with Commission Rules and the underlying policies of the Arizona Constitution.

8. The Affected Utilities received notice of the possibility of rescission, alteration, or amendment of their existing CC&Ns should C3 receive a CC&N to supply competitive MRSP services as an ESP within the service territories of the Affected Utilities.

9. The Affected Utilities had an opportunity to be heard on the possibility of rescission, alteration, or amendment of their existing CC&Ns.

10. Issuance of a CC&N requires the Certificate holder to make an adequate investment and to render competent and adequate service.

11. There was no evidence presented in this proceeding indicating that any of the Affected Utilities had failed to render adequate service or had charged unreasonable rates.

12. C3 should file documents to be approved by the Director, Utilities Division, that clarify the extent of the financial commitment C3 has received, and will receive, from its parent, CSW.

13. Granting C3's Application for a CC&N to supply competitive retail electric services within the service territories of the Affected Utilities is in the public interest, because it will provide a reasonable opportunity for the potential benefits of competition to develop in the State of Arizona.

14. It is not in the public interest to rescind, alter, or amend the CC&N of any Affected Utility prior to final resolution of the Stranded Cost issues for that Affected Utility.

ORDER

IT IS THEREFORE ORDERED that the application of C3 Communications, Inc. for an Electric Service Provider Certificate of Convenience and Necessity is hereby granted, and that C3 Communications, Inc. is hereby authorized to supply competitive Meter Reader Service Provider services in all areas of the State of Arizona which are opened to retail electric competition, subject to the conditions recommended by Staff in Findings of Fact No. 13.

IT IS FURTHER ORDERED that within 30 days of the effective date of this Decision, C3 Communications, Inc. shall file documents to be approved by the Utilities Division Director, to clarify the extent of the financial commitment C3 Communications, Inc. has received, and will

1 receive, from its parent company, Central and South West Corporation.

2 IT IS FURTHER ORDERED that C3 Communications, Inc. shall not be authorized to
3 provide Competitive Services in any certificated area of any Affected Utility until the Certificate of
4 Convenience and Necessity of the respective Affected Utility has been amended.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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9 CHAIRMAN COMMISSIONER COMMISSIONER

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IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
Secretary of the Arizona Corporation Commission, have
hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of Phoenix,
this 14th day of April, 2000.

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BRIAN C. McNEIL
EXECUTIVE SECRETARY

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DISSENT _____
SG:bbs

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1 SERVICE LIST FOR:

C3 COMMUNICATIONS, INC.

2 DOCKET NO.

E-03791A-99-0588

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 25 Copies also mailed to:
 Electric Competition Service List – Docket No. RE-00000C-94-0165

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